



**CONNECTICUT GENERAL ASSEMBLY
ENERGY & TECHNOLOGY COMMITTEE
RAISED BILL NO. 504 –AN ACT CONCERNING
NATURAL GAS CUSTOMER CHOICE
MARCH 3, 2008**

**STATEMENT OF REBECCA BACHELDER OF BLUEFLAME CONSULTING,
ON BEHALF OF HESS CORPORATION**

Good morning. My name is Rebecca Bachelder of BlueFlame Consulting. I represent Hess Corporation ("Hess"), which is a licensed and active retail supplier of natural gas and electricity to commercial and industrial customers in Connecticut. I am appearing before this Committee today to offer Hess' strong support for several provisions of Raised Bill No. 504. Overall, Hess believes that this bill would be a positive step forward in creating a more robust competitive environment for Connecticut's retail natural gas market, which will inure to the benefit of the state's natural gas customers. In particular, Section 3 of the bill would create a fair and open marketplace, thus allowing competition truly to thrive.

Section 3(a) of the bill, which would provide natural gas sellers with "unlimited access to the firm transportation rights held by any gas company," would ensure that natural gas sellers, such as Hess, would have greater access to the transportation and storage capacity required for sellers to transport the gas their customers have purchased. At present, natural gas sellers are entitled to only 25% of the natural gas companies' pipeline capacity, storage and peaking assets. That low percentage necessarily limits gas sellers' access to the very assets necessary to meet their customers' requirements, thus requiring the sellers to seek other capacity in a capacity-constrained environment. Quite

simply, this undermines the sellers' ability to participate in the markets. In short, greater access to released capacity is essential to ensuring reliability and the success of gas competition in Connecticut.

Likewise, retail gas competition cannot flourish without fair and reasonable balancing rules, imbalance trading and tolerances, which would be addressed by Sections 3(f) and (g). The rules currently in place in Connecticut gas company tariffs make it extremely difficult to operate as a natural gas seller in the state. Unreasonably high imbalance penalties imposed not only during periods of constraint, but also during off-peak and shoulder periods when imbalances are easily managed, add unnecessary costs to the price of doing business and force marketers to purchase high cost balancing services to avoid these penalties. These costs ultimately must be passed through to the customers. To ensure natural gas sellers' ability to compete against utility-supplied gas, gas sellers must be able to manage their customers' loads with tolerance bands that provide a reasonable amount of flexibility. Imbalance trading is also an important component of a natural gas seller's ability to manage its customer loads – by enabling sellers to trade away any imbalances that occur and avoiding the high price of cashing out these imbalances.

Finally, Section 3(g)'s inclusion of "nonpunitive" penalties to be incurred only if the gas company has "incurred an actual monetary loss" is vital to ensuring the participation of gas sellers in Connecticut's competitive gas market. Too often, penalties are imposed for penalties' sake, where the gas company has itself incurred no penalty, thus creating subsidies between transportation customers and sales customers. Unfair penalties arbitrarily increase costs to transportation customers, raise the cost of doing business in the state, and create barriers to entry. Gas companies should be permitted to

impose penalties only if they have incurred penalties or the seller's behavior poses a threat to the system.

Hess has been and intends to continue to be an active participant in Connecticut's gas markets. But if the Connecticut legislature is truly invested in customer choice, there are many changes that must be made to ensure an open, fair and consistent marketplace for gas customers and sellers. Raised Bill No. 504 is an excellent step in that direction and has Hess' full support. Hess appreciates the opportunity to participate and provide comments today. Thank you very much for your attention – I am available for any questions you may have.